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'Contras' Got Money From Iranian Deal

In Congress, Critics See a Growing 'Mess'

WASHINGTON — The shake-up of the National Security Council staff at the White House and revelations of money diversion to the Nicaraguan rebels brought a strong reaction Tuesday in Congress.

Robert C. Byrd, Democrat of West Virginia and the incoming majority leader of the Senate, said, "I'm willing to say it is a mess and that mess hasn't been helped by today's revelations."

Republicans and Democrats had already grown increasingly critical

of the administration's secret sale of arms to Iran.

"What this says," Mr. Byrd continued, "is that nobody seems to be really in charge of the foreign policy of this country. It says that the White House is in a chaotic state of affairs and the best thing to do would be to wash it all out, let people see and hear, and admit that it was a mistake and pick up from there."

Representative Jim Wright of Texas, the House majority leader, said the revelations of the two National Security Council officials "will not stop questions" about who was ultimately responsible for the money diversion.

Attorney General Edwin Meese 3d said Tuesday that President Ronald Reagan's current and past national security advisers knew of the diversion, but that Mr. Reagan did not.

However, the outgoing Senate majority leader, Bob Dole of Kansas, a member of Mr. Reagan's Republican Party, said Mr. Reagan was totally forthcoming in briefing congressional leaders on the Iran initiative.

"It was obvious he was deeply disturbed at the information he had just received," from Mr. Meese, Mr. Dole said, "and it was equally obvious he was determined to do what needs to be done."

Meanwhile, a State Department spokesman, Charles E. Redman, disclosed Tuesday that the department, at Mr. Reagan's direction, would assume primary responsibility for Iran policy.

This will diminish the role of the National Security Council, which has been a source of friction. Mr. Poindeexter will be resigned Tuesday.

A special report, Page 5-B



President Reagan announcing the departures Tuesday of his national security adviser, Vice Admiral John M. Poindeexter, and deputy, Lieutenant Colonel Oliver L. North.

For Allies, Confusion and Concern

By Tim Hoagland
Washington Post Service

PARIS — The political turmoil in Washington that culminated in the resignation of President Ronald Reagan's national security adviser and the removal of another White House official has confused American allies abroad, who are likely to be only partly reassured by Tuesday's actions.

"It was happening in a Third World country, we would be talking about a power struggle," Mr. Poindeexter said shortly before the departures of Vice Admiral

John M. Poindeexter and Lieutenant Colonel Oliver L. North were announced. "And we would be saying that the foreign minister appears to be leading a coup attempt."

The appearance that Secretary of State George F. Shultz has won at

least the initial round of the battle for policy supremacy in the last two years of the Reagan presidency will be welcomed in Europe, where Mr. Reagan is seen as more dependent on his advisers than any president

in recent memory and Mr. Shultz is seen as a known quantity, interested in pursuing arms-control agreements and a political dialogue with the Soviet Union.

A West German official volunteered to a reporter on Monday that the future of arms control and relations within the Atlantic alliance if Mr. Shultz were to leave the administration as a result of the public quarrels in Washington over the wisdom of and responsibility for secret arms shipments to the Soviet Union.

French and British officials also

See ALLIES, Page 5

Poindeexter Quits, 2d Aide Fired Over Shift of Arms Payments

By David Hoffman
Washington Post Service

WASHINGTON — President Ronald Reagan said Tuesday that his national security adviser had resigned and an aide had been relieved of his duties. The departures came as the administration disclosed that up to \$50 million received from the secret sale of weapons to Iran had been diverted to U.S.-backed rebels fighting the Nicaraguan government.

The Iran arms controversy took a bizarre new tack as Mr. Reagan called a White House news conference and said that Vice Admiral John M. Poindeexter had resigned and that his deputy, Lieutenant Colonel Oliver L. North, "has been relieved of his duties."

Attorney General Edwin Meese 3d then announced that, with Colonel North's knowledge, money from Iran weapons sales had been diverted to the rebels fighting the Sandinista government of Nicaragua in possible violation of U.S. law.

Colonel North had been the chief White House contact with the Nicaraguan rebels, known as "contras," who could not legally receive U.S. military aid before last month.

Mr. Meese estimated that, with Colonel North's knowledge, \$10 million to \$30 million collected from the Iranians for U.S.-shipped weapons was siphoned off by Iranian middlemen and transferred to bank accounts set up by Nicaraguan rebels.

"No American person handled the money," he said. He insisted that Mr. Reagan knew nothing of the arrangement before it was told of it Monday. Mr. Meese described a financial arrangement in which U.S. weap-



Lieutenant Colonel Oliver L. North in Cyprus last month, reportedly on a mission on behalf of hostages in Lebanon.

RELATED ARTICLES

■ Israeli officials refused to comment on reports that funds they received from Iran were passed to Nicaraguan rebels. Page 5.
■ Of the \$9 billion Iran has spent on arms during the Gulf war, 20 percent has been on purchases from the West. Page 5.
■ One kidnapping in Beirut lent special urgency to the Reagan administration's efforts to free the American hostages. Page 3.

ons were sent to Israel and then sold to Iran at higher prices.

The difference was then deposited in Swiss bank accounts and used by the Nicaraguan rebels during a period when Congress had cut off U.S. military funds to the rebels.

[Administration sources, speaking on condition they not be identified, told The Associated Press that Colonel North gave Israeli officials the go-ahead for that shipment on his own authority.]
Administration officials said res-

ignations had been requested from both Admiral Poindeexter and Colonel North late Tuesday morning.

Mr. Meese also revealed that the first Iran-sanctioned arms shipment to Iran took place in 1985 without Mr. Reagan's knowledge and was approved by Mr. Reagan only after the fact.

Mr. Reagan refused to answer questions after giving a brief statement announcing the resignations.

See REAGAN, Page 6

LATE NEWS

\$2.8-Billion Bid For Pond's Inc.

WESTPORT, Connecticut — Chesapeake-Pond's Inc. said Tuesday that it has received an unsolicited \$2.8-billion takeover from American Brands Inc., a New York-based company with interests in tobacco and distilled beverages.

Chesapeake-Pond's, which sells food, health, beauty, hospital, sporting-goods and chemicals products, said it was reviewing the offer and other alternatives.

The company has about 42.6 million shares outstanding. The bid was for \$56 a share.

A special report, Page 5-B

Special Today

Exploring China

When traveling in China, patience is a virtue. American tourists are finding the red heart of Beijing.

A special report, Page 5-B

President Chirac

will go to West Germany in April on the first visit there by a president of France.

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GENERAL NEWS

■ France plans to reduce its role in the UN peacekeeping force in Lebanon. Page 2.

■ An oil slick on the Rhine added to the pollution troubles of the river. Page 2.

BUSINESS/FINANCE

■ U.S. factory orders for durable goods plunged 6 percent in October, the biggest decline in more than two years. Page 11.

■ The dollar fell sharply, closing below 2 DM for the first time in a month. Page 17.

Gorbachev, in India, Expected to Push His Asian Initiative and Closer Ties

By Richard M. Weirauch
Washington Post Service

NEW DELHI — Mikhail S. Gorbachev arrived here Tuesday on a four-day visit that is expected to explore the limits of his Asian initiative and the possibilities for developing the long-standing Indo-Soviet friendship.

In his arrival remarks at Indira Gandhi International Airport, Mr. Gorbachev also signaled his intention to continue putting pressure on the United States over nuclear arms issues.

He referred to nuclear dangers on international tensions three times in his brief statement and picked up on the theme of a state dinner Tuesday night by saying that his meeting with President Ronald Reagan last month in Iceland had brought into sharp focus the potential for progress on nuclear issues and the obstacles.

Continuing to place the blame on Mr. Reagan for the final failure at Reykjavik, he said "the situation calls for a new approach to security issues, a new thinking in politics and a new philosophy in international relations."

Prime Minister Rajiv Gandhi was more direct in his comments at the dinner, praising Mr. Gorbachev's "constructive and bold" proposals at Reykjavik and regretting that the "Strategic Defense Initiative" looked like a dead-end.

Earlier in the afternoon, the two leaders held almost four hours of private talks.

Mr. Gorbachev's visit to New Delhi in his first official trip to an Asian country, and both governments have made a theme of long-standing, trouble-free relations in the extensive preparations for the event.

India has looked to the Soviet Union as a counterweight to Pakistan and China, against which it has fought wars, and in recent years as a ready market for manufactured goods and raw materials.

Moscow, in turn, has avoided the kind of heavy-handed presence that has seen close ties with countries from Egypt to Indonesia turn sour.

In the process, Russia has gained the trust of one of the world's most influential developing nations, which is a leader of the nonaligned movement. India has supported the Soviet Union on many contentious international issues.

In recent months, however, both countries appear to have taken a

close look at the other's actions as new leaders begin to make their mark.

Mr. Gandhi's oft-expressed interest in modern technology, especially from the West, and a tentative revival of closer ties with the United States is believed to have caused some anxiety in the Kremlin, as has the prospect of continuing Indian pressures in bilateral trade as a time of testing for the Soviet economy.

Officials and commentators in New Delhi have raised warning flags in turn over Mr. Gorbachev's attempts to revive Sino-Soviet relations and to press ahead with his plan for an Asian-Pacific security accord. The Soviet leader outlined these initiatives last summer in a major policy speech at Vladivostok.

In his dinner remarks Tuesday night, Mr. Gandhi referred directly to Mr. Gorbachev's July speech at Vladivostok, calling it "thought-provoking" but stopping well short of endorsing his approach to Asian affairs.

Mr. Gorbachev, accompanied by his wife, Raisa, was in New Delhi for his first official trip to India. Mr. Gandhi, his wife, Raisa, and

See GORBACHEV, Page 6



Mikhail S. Gorbachev is embraced by an Indian child at his arrival Tuesday in New Delhi. His wife, Raisa, looks on.

Manila, Rebels Agree On Principles of Truce

By Gregg Jones
Washington Post Service

MANILA — Philippine government and rebel negotiators said Tuesday night that they have agreed on the principles for a ceasefire in the 17-year-old Communist insurgency.

The remarks followed an eight-hour negotiating session that the chief government negotiator, Ramon P. Mitra, had earlier described as a "make-or-break" meeting.

President Corason C. Aquino has set next Sunday as the deadline for reaching an agreement. The government is prepared to step up military pressure and open regional negotiations with Communist rebels if the talks fail to produce a truce by Nov. 30, according to government and military officials.

Mr. Mitra, who is also the agriculture minister, said the two sides had agreed on "general principles" and that an agreement might be signed Thursday.

Carolina Malaya-Ocampo, a ranking official of the underground National Democratic Front, negotiating for the rebels, was more cautious. She said in a telephone interview that the two sides had agreed on "basic principles" but that a few remaining differences "had to be resolved."

Mr. Mitra said the remaining differences were "more of a mechanical thing." He said "there were revisions and these have to be redone — a matter of rephrasing."

But he added, "We will be ready to sign an agreement in time to meet the deadline set by the president."

Mr. Mitra and Miss Malaya-Ocampo declined to disclose details of the agreement, which would represent the first truce in 17 years of guerrilla war. Miss Malaya-Ocampo said the truce would last 60 days.

The Communist New People's Army, whose strength has been estimated at between 16,000 and 23,000 members, operates in about 60 of 73 provinces. The guerrillas nominally control 20 percent of Philippine villages.

The government opened cease-fire talks with the rebels on Aug. 1, but with only occasional negotiating sessions.

Mr. Aquino said Sunday that the insurgents had "no interest in the peace" but have continually "offered" and gave the rebels until Nov. 30 to agree to a cease-fire.

Miss Malaya-Ocampo said earlier Tuesday that the departure from the cabinet of Juan Ponce Enrile, an



Ramon P. Mitra

Fund Dispute On Research Embroids EC

By Peter Masses
International Herald Tribune

BRUSSELS — A funding controversy threatens to undermine a European Community proposal for increasing cooperative research on new technologies, community officials say.

The EC Commission, responding to calls from the leaders of the 12 EC nations for greater technological cooperation, has proposed a plan — known as the Framework Program — that would cost 7.7 billion European currency units (\$7.4 billion) and double the level of EC research spending.

Although the figure represents less than 10 percent of what EC governments spend individually on high-technology research, according to EC officials, the five-year Framework Program for all of the EC's basic research projects, such as Esprit, Race and Britic. It also was

See EC, Page 6

A New Malaria Outwits Old Remedy

Tougher Strains Strike Africans With 'Natural Immunity'

By Scott Kraft
Los Angeles Times Service

MOMBASA, Kenya — Tourists thrive on the white beaches of Africa's eastern coast, cooled by the breeze that sweeps off the Indian Ocean and sustained by a diet of giant prawns.

Mosquitoes thrive here as well. Born in the marshy nooks and crannies inland, they grow to maturity under a blanket of hot, muggy air, and feast on sleeping people.

Rosemary Henrich wanted to protect herself from the malaria parasite carried by some of those mosquitoes during her four-day vacation at a luxury beach hotel here earlier this year. So she took chloroquine, long considered the world's primary anti-malarial drug.

But a few weeks after Ms. Henrich returned to Nairobi, where she works as a nurse at the U.S. Embassy, "I went to open a mayonnaise jar and my muscles hurt so bad I couldn't open it," she said. "My bones hurt." Fever followed. She had malaria.

Zeban Akhtar, a Mombasa travel agent, came down with a severe case of malaria about the same time and was in bed for two weeks. Her doctors were surprised. Little exposure to malaria, they thought, should have given her immunity.

In June, a doctor was called to the home of Barbara Allen, then the U.S. consul in Mombasa. She had been ill with a fever for a week. She died of malaria a few weeks later.

Malaria is a perennial problem for Africa. A 1951 study estimated that one million African children

Only a decade ago, doctors were so confident of their ability to treat the disease that malaria specialists became an endangered species.

die of malaria every year. Today, few experts believe that figure has changed.

But now, visitors to Africa from the developed world, who have no natural immunity, are getting malaria more frequently, and severely, than before.

Strains of malaria that are able to outwit chloroquine have appeared in East Africa and are moving westward "like a wildfire right

across the continent," said Dr. Wallace Peters, a professor at the London School of Hygiene and Tropical Medicine.

The renewed malaria threat has spawned a worldwide increase in funding for research. At least five major laboratories, including two in the United States, are trying to develop malaria vaccines using genetic engineering. Dozens of other laboratories, from Switzerland to China, are searching for new compounds to fight the disease.

Drug-resistant malaria comes mostly in rural parts, often jungle, of northern South America, Southeast Asia and East Africa. There is also some risk of malaria — though it is not the drug-resistant variety — in India, parts of China, much of Central America, and west and central Africa.

It has been estimated that 300 million people worldwide are afflicted with the ailment each year and that 2 million die from it.

Only a decade ago, doctors were so confident of their ability to treat the disease that malaria specialists and even entomologists who studied mosquitoes became endangered species.

Chloroquine was so good," said Dr. Philip Riese, director of the AF-See MALARIA, Page 2



SPACE RING — Jean-Pierre Pommerehne of France's national scientific research center unveiled plans to launch an orbiting ring to mark the Eiffel Tower's 100th birthday. Page 6.

AMERICAN TOPICS

Cheerleaders Reach

New Heights, Dangers

Recent accidents in cheerleading may bring closer inspection. The New York Times reports, "The Washington Post reports that North Carolina's park, near Raleigh, is within easy commuting distance of three major universities. Virginia's is near only one. North Carolina was underwritten by business and educational leaders. Virginia's is largely a creation of the state legislature. North Carolina was built on sheep. Virginia's is near Washington, D.C., where land is expensive."

Cheerleading is not a competitive sport, and most schools classify it as a student activity, like playing in the band.

But during the past decade cheerleaders have increasingly adopted routines that combine the skill of gymnastics with the daring of a high-wire act, without the benefit of the safety regulations, skilled coaching and close supervision associated with organized team sports.

Susan Trice, a former college basketball coach, said she has been appalled to see cheerleaders "do things the gymnasts would never try without far more safety precautions."

Accident statistics are lacking, and officials of cheerleading organizations say cheerleaders, with all its sprained ankles and dislocated shoulders, is safer than basketball and volleyball and far safer than football.

But they concede that better safety techniques and closer supervision may be needed.

Short Takes

North Carolina's high-techology Research Triangle Park.

Class Carlo Menotti's new opera, "Coyote," which had its world



ZAP!—In the latest form of collegiate war games, Lori Jones, left, and Nancy Best, students at Seattle Pacific University, take aim with laser pistols. Participants in the games wear electronic sensors to count "hits."

premiere in Washington this month, deals with the Spanish artist's relationship with the Duchess of Alba but ignores the fact that she was the inspiration for his painting, "The Naked Maj."

Mr. Menotti said, "I tell you, nakedness in opera, it's very dangerous because I've seen quite a few naked singers and they're not that good to look at."

Shorter Takes: Forty percent

Drug Screening Divides Reagan Advisers

By Robert Pear

New York Times Service

WASHINGTON — President Ronald Reagan's advisers are deeply divided over how to carry out his order for drug testing of U.S. employees in the light of court decisions suggesting that such widespread random tests are unconstitutional.

Attorney General Edwin Meese 3d firmly believes that the administration should go ahead with such tests and that drug screening will be upheld in court. Justice Department officials said Monday.

Officials at other agencies have begun to express reservations and second thoughts, but they said they had not spoken out publicly because they were afraid of being seen as "soft on drugs."

These officials said they were torn between their loyalty to Mr. Reagan and their concern that widespread drug testing, without any reason to suspect drug use, was ethically indefensible.

Mr. Reagan issued an executive order Sept. 15 that required the head of each agency to establish a program to test for "use of illegal drugs by employees in sensitive positions."

A presidential appointee said such widespread random testing would violate a "local compact" that he said binds political appointees and career civil servants together in a common enterprise with a strong sense of mutual respect.

Constance Homer, director of the Office of Personnel Management, and Education Secretary William J. Bennett have expressed doubts about the need for random tests of large numbers of civilian government employees. Lyle W. Miller, a spokesman for Mr. Bennett, said the secretary favored strict enforcement of tough drug policies, but "does not feel routine drug testing is appropriate or necessary" in most situations.

Aides to Labor Secretary William E. Brock said he believed that mandatory testing for large numbers of government employees would be subject to legal challenge. Especially if it went beyond employees responsible for national security or public health and safety.

Aides to Dr. Otis R. Bowen, the secretary of health and human services, said he was uncertain whether Mr. Reagan's program struck the proper balance between punishment and therapy for drug users in the federal work force.

A staunchly conservative cabinet member, who spoke on the condition of not being identified, said: "I have drug use. It's an abomination. It ought to be wiped out. The question is what price are you willing to pay to wipe it out. It's important to have a drug-free work place. But there is a transcendent moral requirement that we retain a sense of ourselves as individuals, human beings, souls, people with dignity."

U.S. officials said they had been concerned that the president's drug testing program would be substantially delayed because of legal challenges by government employees and their unions.

On Nov. 12, U.S. District Judge Robert F. Collins ruled in New Orleans that a drug testing program run by the Customs Service was unconstitutional. The "examination of Customs workers' urine constitutes a 'warrantless search' made in the 'total absence of probable cause or even reasonable suspicion,'" he said.

Judge Collins issued a permanent nationwide injunction against the agency's drug testing, which required unwilling employees and job applicants seek "sensitive" positions. The Customs Service said employees hold such positions

if they enforce drug laws, carry firearms or have access to classified information. The administration is appealing the decision.

The Customs Service program began in August, one month before Mr. Reagan's order. The ruling does not directly affect drug testing by agencies other than the Customs Service. But a separate challenge to Mr. Reagan's order is pending before Judge Collins.

U.S. agencies are required to rely on the legal advice of the Justice Department, which contends that random testing is permissible.

However, according to the General Accounting Office, an investigative arm of Congress, most courts that have considered the issue for public employees "have found that random testing violates the Fourth Amendment" to the Constitution, which forbids unreasonable searches and seizures.

Bribe Case Rattles Philadelphia Judges

The Associated Press

PHILADELPHIA — The city's justice system is in crisis, with more than a dozen judges accused of taking bribes from a union, and reports that some judges' conversations have been secretly taped by prosecutors and even by another judge.

"We are in a crisis as far as confidence in our court system is concerned," said Seymour Kurland, chancellor-elect of the Philadelphia Bar Association.

Mr. Kurland cited the indictment last month of two judges, Esther Sylvester and Mario Driggs, on charges of taking bribes from officials of the roofers union in exchange for favors from the bench; he also mentioned the disclosure that at least 12 other judges took cash from the same union.

Of the judges named in a Justice

Department memorandum as having received cash from the roofers union, six have been relieved of judicial duties, but no other criminal charges have been filed.

David Marston, a former U.S. attorney, wrote in The Philadelphia Inquirer that the cash gifts, which some judges defended as campaign contributions or Christmas gifts, were clearly wrong.

"Judges who accept cash in unmarked envelopes should not be judges," Mr. Marston said.

Pennsylvania is one of only 11 states that still elect judges rather than choosing them in some system based on merit.

The names of all judges linked to gift-taking from the union have been turned over to the Pennsylvania Judicial Inquiry and Review Board, which investigates allegations of misconduct.

The board refuses to say whether an investigation is under way.

In addition to the dispute over the union gifts, there have been published reports that electronic listening devices were installed in the chambers of five judges as part of an effort by the Federal Bureau of Investigation and the Philadelphia district attorney to gather evidence of payoffs.

The Philadelphia Daily News has quoted sources whom it did not identify as saying that lawyers were upset in the judges' offices offering money to influence their clients' cases.

Judge Mary Rose Fante Cunningham of the Common Pleas Court, who admitted to a "crime of stupidity" by accepting \$500 from the roofers union last year, carried a tape recorder in her purse when talking to colleagues.

CIA Agent Was Islamic Jihad Victim

Aide Abducted in '84, Now Dead, Was Beirut Station Chief

By Bob Woodward and Charles R. Babcock

Washington Post Service

WASHINGTON — For the Reagan administration and the CIA, Iran and the Muslim extremists it supports in the Middle East suddenly took on a new urgency on March 16, 1984, when a man named William Buckley was snatched off the streets of Beirut by a group calling itself Islamic Jihad.

Mr. Buckley was described at the time as a political officer in the U.S. Embassy in Lebanon. However, as his captors have since charged and U.S. sources have confirmed, Mr. Buckley was the chief of the Central Intelligence Agency's Beirut station.

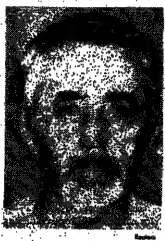
He was one of the CIA's leading experts on terrorism, and his kidnapping initiated what one CIA official called the agency's "private hostage crisis."

At agency headquarters in Langley, Mr. Buckley's colleagues watched helplessly as their expert on terrorism became a victim of terrorism that the CIA believed had connections leading from Beirut to the government in Tehran.

For at least a year, the CIA undertook extraordinary measures, spending a "small fortune" on informants, according to one source, intercepting communications, and enhancing satellite photographs to figure out where Mr. Buckley and other U.S. hostages might be held.

The effort failed. After torture and a long period of medical neglect, the sources said, Mr. Buckley died in Beirut, as yet unidentified, in 1985. His captors first declared him dead later in 1985.

The columnists Jack Anderson and Dan Vesz Arta wrote last December that U.S. intelligence officials believed that Mr. Buckley had died in a Tehran hospital after being tortured in Lebanon and Iran. Mr. Buckley's captors, in a state-



William Buckley

ment released in Beirut this month, reiterated that Mr. Buckley had been "executed" after having "confessed" to working for the CIA, and a personal prosecution of William J. Casey, its director.

The agency never felt confident enough that a rescue attempt would be successful. It did obtain "irrefutable" evidence that Mr. Buckley was tortured and, after initially resisting, finally broke down and disclosed information about CIA operations, one source said.

Mr. Buckley was assigned to Lebanon in mid-1983 to help the Lebanese develop anti-terrorist methods and to rebuild the U.S. intelligence presence after the bombing of the U.S. Embassy, the sources said.

Seventeen Americans had died in the April 1983 attack, including Robert C. Ames, the CIA's chief Middle East analyst.

On March 16, 1984, Mr. Buckley was seized on a Beirut street — the first of what would become a string of kidnappings of Americans. Previously, Mr. Buckley was in Cairo, where he had helped train bodyguards for President Anwar Sadat, who was later assassinated, one source said.

Terrorists might have suspected Mr. Buckley's true identity, the sources said. Mr. Buckley often carried a walkie-talkie in Beirut and went nearly every day to the headquarters of the Lebanese intelligence service, and could have been followed, the sources said.

At one point, the CIA received help from an FBI team trained in locating kidnap victims. The team went to Beirut but failed to locate Mr. Buckley after a month of careful and sophisticated detective work, according to a senior administration official.

Officials now believe that Mr. Buckley was in Lebanon during the entire period of his captivity, most of the time in Beirut itself.



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UPI Editor Quits

In Dispute With Agency President

New York Times Service

NEW YORK — Malcolm K. Hughes, editor in chief of United Press International, has resigned from the struggling news agency after a dispute with the organization's new president, Milton R. Benjamin.

Mr. Hughes, 52, had been with the agency 30 years. He said he resigned Monday when it became clear to him that Mr. Benjamin's authority included direction of UPI's news operations. "You can't have two editors," Mr. Hughes said.

According to sources at the agency, Mr. Hughes had recently requested an arrangement for a generous financial settlement in the event he left or was fired, and was unhappy when this was refused.

Mr. Benjamin, who became president Nov. 6, declined to give a reason for Mr. Hughes' resignation but denied that his authority as editor in chief had been compromised. He added that he had asked Ronald E. Cohen, who was named as managing editor on Nov. 6, to return to UPI as managing editor. Mr. Cohen said, "I told him the odds were strongly against it, but that I would sleep on it."

Mr. Hughes' resignation is the most recent in a series of blows UPI has sustained as it struggles to survive after emerging this summer from custody of U.S. bankruptcy court.

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IRANIAN ARMS MONEY FOR 'CONTRAS': Among the allies, doubts and worries about U.S. policy

Shamir Drops a Hint Israel Played Middleman Role, Might Do So Again

United Press International
JERUSALEM — Israeli officials refused any comment Tuesday on a report by the U.S. attorney general, Edwin Meese, that some of the money Iran paid to Israel for U.S. arms was given to rebels fighting the Nicaraguan government.

But Prime Minister Yitzhak Shamir hinted that Israel played a role in the arms supplies to Iran and

that it might do so again if asked. Mr. Meese said that Israel had acted as the middleman in the arms sales.

A spokesman for Mr. Shamir said that he had no comment on the reports from Mr. Meese, but that "there may be comment after the prime minister consults with the foreign minister and the defense minister" on Wednesday.

But Mr. Shamir, in an interview on Israeli Radio during a visit to the town of Beit She'an, said it was not Israeli policy to supply arms to Iran.

Asked what would happen if Israel received a request to funnel arms to Iran, Mr. Shamir said: "You know for every rule you have exceptions. It could sometimes be an exception when there is a request from a friend to do something."



Vice Admiral John M. Poindexter and President Ronald Reagan at the White House last year after he was named to succeed Robert C. McFarlane as national security adviser.

Iran Arms-Buying Put at \$9 Billion From Both Allies and Foes of U.S.

By Elaine Sciolino
New York Times Staff Writer

WASHINGTON — During its six-year war with Iran, Iran has bought more than \$9 billion in arms from U.S. allies and foes alike, according to a high-ranking Reagan administration official.

Other officials and independent arms analysts said that while North Korea and China are Iran's most important arms suppliers, Western countries provide about 20 percent of Iran's purchases.

These sources contend that recent disclosures of U.S. arms shipments to Iran through Israel will

make it impossible for the administration to stem the flow of arms to Iran by allies of the United States.

"We seem to have opened the floodgates for our allies to sell arms to Iran," an administration official said. "I have the sense countries will be rushing to Tehran to make offers and clinch deals."

Late last month, for example, an Iranian negotiating team went to Britain apparently to get parts for Cheifan tanks and Scorpion armored cars, according to U.S. and British officials.

British officials also confirmed last week that they were negotiating a \$375-million deal to send 3,000 Land-Rovers to Iran. The vehicles presumably could be converted for military use.

In a hearing on Monday before the House Foreign Affairs Committee, Assistant Secretary of State Richard W. Murphy said that North Korea was Iran's primary arms supplier and that China and Eastern Europe also supplied weapons.

Iran has shown imagination in scouring the world for weapons and spare parts. But the murky, often secret nature of arms dealing makes it impossible to determine precisely what Iran spends on arms and where it spends it.

"The Iranians know how to play games," said Gary G. Sick, a member of the National Security Council in the Carter administration and author of a recent book on Iran. "They've cut deals through private

channels and with governments that don't acknowledge the which makes arms tracking very difficult."

The American-Israeli link Iran shows that Iran will buy from anyone. And despite a U.S. arms embargo and a worldwide campaign to prevent allies from supplying arms, large amounts of weapons have reached Tehran from 11 United States and its allies through government licensees and unofficial channels.

From 1979 to 1983, the years for which reliable U.S. intelligence figures are available, Iran spent \$2.8 billion on major arms purchases from the United States, the Soviet Union, France, Britain, West Germany, Italy, China, Romania and Poland, and \$2.6 billion in arms through other nations as indirect sources. Intelligence analysts concede this is a partial list.

In the last year, Israel has become the major supplier of modern American-made parts to Iran, although the exact size of the shipments cannot be measured, according to independent arms analysts.

France, one of Iran's largest suppliers, has acknowledged the French-made anti-tank missiles and large amounts of 150mm ammunition have made their way to Iran since last year, although French officials denied any involvement. The shipments were a large, however, that independent arms experts said the French government must have known of them.

Portuguese state-run factories produce large quantities of ammunition and mortar shells that have been sold to Iran, an administration official said. "Despite our protests, officials took the other way," an official said.

From time to time, the Italian authorities have allowed spare parts for Hawk missiles and helicopters to reach Iran, the official added.

Iran has also received transport and small boats from Japan; tents and trucks from India; armor cars, rocket launchers and large amounts of hand grenades from Brazil; artillery and ammunition from South Africa; Fokker aircraft and military electronics equipment from the Netherlands; Cheifan tank parts from Britain; and F-4 and F-5 parts, overhauls and uniforms from South Korea.

Switzerland has operated either as a third-party broker or a direct supplier of parts for European-made weapons, according to arms experts.

ALLIES: Confusion and Concern

(Continued from Page 1)

voiced support for Mr. Shultz, but demonstrated less enthusiasm for him because of questions that have been raised about Mr. Shultz's role in the agreements that were nearly reached on nuclear disarmament at the Reykjavik meetings last month and because of his perceived failure to engage the United States actively in Middle East peace efforts for the past three years.

"They can't afford to let him go now, and that is probably a good thing," a British official said after being told of the White House shake-up. "But this has hardly inspired confidence."

The open recommitment that the president's aides have engaged in over the past week have baffled and dismayed foreign analysts, who tend to have only a vague notion at best of the role of the National Security Council in shaping American policy abroad.

In a country like France, with its own history of political scandals, the pressure of secret bank accounts and large sums of money that could have been pocketed along the way will eclipse institutional rivalries as the focus of public reaction at first.

But the damage that has been done to the Reagan administration's bid for world leadership will be exacerbated by several aspects of the announcements in Washington on Tuesday. Points on which foreign officials and the public will dwell include:

• Mr. Reagan's reported lack of knowledge that a White House staffer was using the secret shipment of arms to Iran to fund rebel operations in Nicaragua will shock Europeans and others accustomed to centralized and intrusive executive authority, and the sense of accountability such systems engender in aides. A French official in-

credulously questioned Tuesday night how a lieutenant colonel could possibly have sufficient authority to have mounted such an operation.

The linking of the Iran arms shipment to the administration's Central American policies, which have not been widely understood or supported, will reinforce the feeling in Western Europe that Washington has embarked on an ideological crusade in a region many here feel is marginal to world stability.

• Israel's deep involvement in the affair will heighten concern about American dependency on Israel to carry out U.S. policies in the Middle East and now apparently in Central America as well.

• The U.S.-Israeli cooperation in providing military equipment to the radical syndicates of Iran is seen as a direct assault on Arab nationalism by leaders such as King Hussein of Jordan and President Hosni Mubarak of Egypt, who issued a stinging rebuke of American policy last weekend.

• West European governments are also increasingly concerned about the impact of the American actions on Arab governments that are seeking to contain Islamic fundamentalism and maintain good relations with the West.

• The embarrassing disclosure about President Reagan's policy toward Iran, added to the confusing outcome of the Reykjavik summit, have once again underlined the need for a strong European voice in world affairs. "The Financial Times of London said in an editorial on Monday.

With the leaders of the 12 European Community nations due to meet in their semi-annual summit meeting in London on Dec. 5, such appeals will attract even more notice than usual.

Foreign news reports have said that senior Israeli officials helped arrange the supply of weapons to Iran for the United States.

Israeli arms dealers have sold weapons to Tehran since before the fall of the Shah Mohammed Reza Pahlavi in 1979.

In Moscow, the official Soviet news agency Tass said Tuesday that the removal of Vice Admiral John M. Poindexter, the U.S. national security adviser, and his assistant, Lieutenant Colonel Oliver L. North, was an attempt to "hush up" the scandal over U.S. arms sales.

Tass followed immediately with the announcement by Mr. Meese that money paid by Iran for the U.S. arms had been channeled to the rebels fighting the Sandinista government of Nicaragua.

"In this way," the news agency said, "the administration is trying to hush up the scandal over secret U.S. arms deliveries to Iran which were carried out on the order of the White House and were controlled by the staff of the National Security Council."

In London, Denis Healey, the opposition Labor Party's foreign affairs spokesman, called President Ronald Reagan's handling of the Iran arms deal "the most appalling shambles I can ever remember in any country."

Earlier Tuesday, Prime Minister Margaret Thatcher refused to be drawn into the growing controversy over the U.S. arms sale during questioning in Parliament. She was asked if Washington had informed Britain of its dealings with Iran.

"Our policy is that we do not give ransom of any kind for hostages," Mrs. Thatcher replied. "The president of the United States made his policy clear in his several television interviews. I do not answer yet for the United States."

Later, Mr. Healey said in a television interview that Mrs. Thatcher had "made a fool of herself" by believing Mr. Reagan's version of the Iranian affair.

Poindexter: A Passion for Anonymity

The Associated Press

WASHINGTON — Vice Admiral John M. Poindexter, a nuclear physicist and a career naval officer, became the focus of perhaps the most serious foreign-policy crisis of the Reagan presidency despite the passion for anonymity that he brought to the job as national security adviser.

Admiral Poindexter held the post for less than a year and was Mr. Reagan's fourth national security adviser. He took the post on Dec. 4, 1985, following the resignation of Robert C. McFarlane, who also played a key role in the Iran arms deal even though he no longer held a government post.

Only a week ago, the White House spokesman, Larry Speakes, said the president wanted Admiral Poindexter to stay on the job and that the admiral would remain.

But Admiral Poindexter was widely reported to have coordinated the administration's secret diplomatic contacts with Iran, and he drew sharp criticism from Capitol Hill and elsewhere.

The admiral, who has been a career naval officer for 28 years and remains on active duty, joined the national security staff in 1981 as a military assistant and later became Mr. McFarlane's deputy.

Admiral Poindexter graduated from the U.S. Naval Academy in 1958 and earned a doctorate in nuclear physics six years later. He commanded a guided missile cruiser, then a destroyer squadron and served as aide to three secretaries of the navy.

He was unknown outside a small circle of foreign policy and defense experts and seemed to like it that way. Admiral Poindexter refused

most opportunities to talk to the press.

On the eve of the U.S. invasion of Grenada in 1983, during Mr. Reagan's first term, Admiral Poindexter instructed Mr. Speakes to tell a reporter it was "preposterous" that the United States was about to invade the island.

Later, as Mr. McFarlane's deputy, he became the focus of attention when Mr. McFarlane identified him as the architect of the successful plan to intercept and force down the Egyptian airliner carrying four Palestinians accused of hijacking the Achille Lauro, an Italian cruise ship.

He played a key role in the nuclear arms talks at the meetings in

Reykjavik, Iceland, between Mr. Reagan and the Soviet leader, Mikhail S. Gorbachev, in October.

He was the focus of attention again in October when it was revealed that he had proposed a campaign of disinformation against Libya.

Admiral Poindexter defended deception as a tool against terrorism, but said he did not intend to mislead the American news media.

At the time, he said: "The whole question comes down to: Is deception going to be a tool that the government can use in combating a very significant, national security and foreign policy concern? And I think the answer to that, in my opinion, has to be yes."

North Played a Key, but Secret, Role

The Associated Press

WASHINGTON — Lieutenant Colonel Oliver L. North, who was removed from his White House job Tuesday for allegedly engineering secret funding for the Nicaraguan rebels, held a relatively obscure post in the National Security Council.

But he attracted attention because of his prodigious work, articulating conservative views and close relationship with the former national security adviser, Robert C. McFarlane. Mr. McFarlane has described Colonel North as "like a son of mine."

The colonel was closely involved in U.S. policies toward the Nicaraguan and Angolan rebels and in the Middle East.

Colonel North "has been relieved of his duties" for diverting the proceeds of secret U.S. arms sales to Iran into the Swiss bank accounts of rebels, known as "contras" fighting to overthrow Nicaragua's leftist government.

Colonel North, 43, joined the National Security Council staff in 1981 after working on policy in U.S. Marine Corps headquarters for six years. After Mr. McFarlane's resignation in December 1985, the colonel continued as a deputy to Vice Admiral John M. Poindexter. Admiral Poindexter resigned as national security adviser on Tuesday.

Attorney General Edwin Meese 3d said that Colonel North was the only person with complete knowledge of the arrangements that have led to the current crisis. He said

they were kept secret from Mr. Reagan and many other top officials.

Colonel North's ties to the contras first came under scrutiny in mid-1985. At a time when Congress had voted to outlaw direct aid to the contras, Colonel North worked to assure them that the U.S. government fully supported their cause. He also was involved in U.S. policy toward the Middle East and in Angola, where the U.S.-backed guerrillas are trying to overthrow the Marxist government.

Colonel North served as a marine platoon and company commander in Vietnam, where he was awarded the Silver Star and two Purple Hearts. He has taught at the FBI Academy and at the Marine Corps Basic School.

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ARTS / LEISURE

Alice's True Stories

By Mervyn Rothstein

NEW YORK—Alice Munro is the author of an acclaimed new collection of short stories, "The Progress of Love," as well as one novel ("really a collection of related stories") and four other volumes of short stories, including "The Beggar Maid" and "The Moons of Jupiter." At 55 she has been called one of the foremost contemporary practitioners of the short story.

"I don't really understand a novel," she said. "I don't understand where the excitement is supposed to come in a novel, and I do in a story. There's a kind of tension that if I'm getting a story right I can feel right away, and I don't feel that way about a novel. I think of a story as a kind of tension that I want everything gathered into that."

Many of Munro's stories have to do with the lives we tell ourselves about who we really are. "Self-deception seems almost like something that's a big mistake that we should learn not to do," she said. "But I'm not sure if we can. Everybody's doing their own novel of their own lives. The novel changes—at first we have a romance, a very satisfying novel that has a rather simple technique, and then we grow out of that and we end up with a very discontinuous, discontinuous, very contemporary kind of novel. I think that what happens to a lot of us in middle age is that we can't really hang on to our fiction any more. Not everybody—some people go on maybe until they die with very satisfying early novels. But perceptual change—I'm not sure why, I suppose reality, however difficult, always becomes more interesting if you keep looking at it."

Her stories also deal with the subjectivity of truth—the inability to see things through other eyes. "There is a terrific isolation, but there are always attempts made to bridge it, which are endlessly interesting. People say I write depressing or pessimistic stories, and I know that in my own life I'm not a pessimistic person, so I think the dark side of myself is represented in the stories, while the bright side goes on being—you should hear me as a mother, the cheerful, true advice I give."



Alice Munro.

Many of her characters appear to be isolated and consider themselves outsiders—as do many writers. "I've always worked both sides of the fence. I feel that I'm an outsider, but I go in disguise most of the time. I think most writers do. Because I grew up in a community where hardly anyone read, let alone thought of writing—it wasn't something you could convey your interest in when you talked to other people. And I wanted to be a popular girl, I was very concerned about being successful with boys, that sort of thing, so I had to go in disguise all the time—though I never seemed terribly difficult to do. And then I was a suburban housewife, and that was just more disguise, and then I sort of came out of the closet as a writer when I was about 40."

Munro was born, lived in and largely writes about rural southwestern Ontario. "I don't think it's very different at all from the Midwest," she said. "There are nice old-looking towns, substantial towns, with big brick houses and big shade trees, large churches—many large churches—and factories that tend not to be operating any more. There's good farming land, and the lake—Lake Huron, 10 miles from where I live. And there's a kind of ritualistic wildness—pretty wild, self-destructive driving, a whole culture of sports—hockey is the big thing. The people are very rooted in the place, and it doesn't really matter what happens outside—fame is getting your name in the local paper, not in The Toronto Globe and Mail."

"Everybody in the community is on stage for all the other people. And—this may be particularly Canadian—the less you reveal, the more highly thought of you are. Speaking in platitudes is an art. I don't think that a person doesn't have anything else to say, but that they have managed not to give anything away."

Musical Merry-Go-Round

By Robert Cushman

LONDON—There are too many musicals in London. That at least is the opinion of the critics. A recent count revealed 14 West End entertainments that could reasonably be described as musicals and 17 that couldn't. And of those 17, two are concerned with the tribulations of opera companies, amateur or professional, and one is set in a ladies' dancing class.

At the moment, the shows that everyone wants to see, the ones that are full every night, are to an unprecedented extent British. Some (the Anglo-French "Les Misérables," the Anglo-Scandinavian "Chess") have Continental music; the others ("Cats," "Starlight Express") are entirely home-grown.

THE LONDON STAGE—The Phantom of the Opera is entirely home-grown. All involve the composer Andrew Lloyd Webber or the director Trevor Nunn or both. Another home-grown musical, "Time" (the only one to get unanimously bad reviews) may do with super-abundant technology and the presence of the perennial pop star Cliff Richard.

If there are more hit British musicals than ever before, that is because there are just more musicals. The line of transplanted American shows that began just after the war with "Oklahoma" also remains unbroken; the current representatives are "And Suez" and "La Cage aux Folles." What is new is the presence in towns of so many old American shows.

Of all villages, they continue to come in or are promised. A London "Follies" or "Mack and Mabel" is rumored every other week. "Porgy and Bess" is triumphantly staged by Trevor Nunn at Glynedeburne this year, is bound to find a London home, although, opera planning being what it is, it is not likely to happen until 1988. "Edwin Drood" is said to be on the way; so is "Marsch of the Follies," which will try out at a repertory theater in Manchester. The Royal Shakespeare Company is joining in for the first time; its choice, not too surprisingly, is "Kiss Me, Kate," last seen in London in an atrociously ill-fated production by the English National Opera.

The ENO has its chance to make amends last season when it staged Stephen Sondheim's "Pacific Overtures." That show has already been given British premiere by an enterprising northern repertory group, the Wythenshawe Forum, which has performed the same service for "Follies" and "Merrily We

Roll Along." An even rarer Sondheim, "Anyone Can Whistle," has been given, in Cheltenham, its first professional outing since its nine-day New York existence in 1964.

Most significantly, the Haymarket Theater in Leicester is staging Cole Porter's "High Society." The show is conceived and directed by Richard Eyre, who was responsible for the National Theater's "Guys and Dolls," the flagship British production of an American musical. "High Society" is, obviously, the show of the film. This is the trend. "Singin' in the Rain," with Tommy Steele, was a runaway London success. People are buying titles—titles that seem to guarantee entertainment, icons of remembered pleasure.

The current "Cabaret" has been refitted to include the songs that were added for the screen version. The same thing happened a couple of years ago to "The Sound of Music." For most people, "Cabaret," like "The Sound of Music," is a film, and the association has helped it at the box office: it is the most successful of the revivals. "Wonderful Town" is having a tougher time because not many people have heard of "Wonderful Town." "Annie Get Your Gun" may have fold-out because, though it was once a film, and a successful one in its time, the picture has disappeared from the revival circuits.

An important fact about "High Society" is its point of origin. The Leicester Haymarket. This is one of Britain's big new civic theaters; it originated the production of "We and My Girl" that is now a smash in London and New York. Before

Despite Andrew Lloyd Webber, America owns modern popular music. And Britain knows it.

that, the Haymarket had pioneered the repertory revival of American shows, staging lavish productions of "My Fair Lady" and "Oklahoma" that ended up—as they were always intended to—in the West End. Once it would have been unthinkable ambitious for Leicester or any other repertory to mount a big musical. Now it is not only normal but necessary. These shows are annual crowd-pullers, designed to attract the local audience with the promise of entertainment more immediate and elaborate than they could get on television.

So much so that they are actually, apart from the Damon Runyan stories that inspired it, unique. Music and drama have gone together since the Greeks (it's the non-musical play that's a mutation) but the United States has blended them best in this century because America—despite Coward and Novello, despite Lennon and McCartney, despite Elton John, despite Andrew Lloyd Webber—owns modern popular music. And Britain knows it. Some of this is sentimental nostalgia but some is honest apprecia-

tion, and it nourishes an audience, sometimes a surprisingly young one, for the shows. And there is something that the British theater, with its classical traditions in acting and direction, can do for American musicals. It can respect and explore their texts: "Guys and Dolls" and the Haymarket "My Fair Lady" were models here. The recent crop, with fewer resources, have all tried. "Wonderful Town" could use a splashier, more atmospheric production to bring its book up to the standard of its music and lyrics, but it has a superbly witty leading lady in Maureen Lipman. "Cabaret" resorts to overkill in trying to unite the two halves (real lodging-house, emblematic nightclub) of a great but schizophrenic show, but one can see why the attempt was made.

I suspect that in the end the great British public would rather cry than laugh. The hottest current ticket, "Les Misérables," is a weeper, and historically the few American musicals that have run longer in London than in New York ("Show Boat," "West Side Story," "The Sound of Music") have been tear-jerkers. So, enthusiasm for the great American musical comedy tradition may not be limitless. In any event, costs continue to rise, and few shows can meet them. The critics can take comfort: the glut of musicals will subside. The trouble is, nobody has the first idea what could take its place.

Robert Cushman, a former theater critic for The Observer, wrote this for The New York Times. Sheridan Morley is ill.



London's musical magistrates: Andrew Lloyd Webber (left), and Trevor Nunn.

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TRAVEL/CHINA/SPECIAL REPORT

How to Find Beijing's Heart
Beyond the Layers of Stone

By Carroll R. Bogert

BEIJING — The Duke of Edinburgh, recently in China, described Beijing as "ghostly." He obviously hadn't been in the right places.

The duke shared a common perception of northern China as stark, regimented and far removed from the southernly Tang and Song culture that made China great. The wide boulevards and monstrous government buildings of Beijing can give the city an air of emptiness and, some would argue, soullessness.

But off the major avenues and beaten paths of China's capital lies a warm and vibrant city. The secret of Beijing is to find the nooks and crannies.

Certainly, any traveler must also take in the grand, majestic monuments that mark every standard tour of China. The Forbidden City, the Temple of Heaven and the Great Wall signify the imperial might of a bygone nation. The extraordinary breadth of Tiananmen Square, which the Chinese like to point out, is bigger than Moscow's Red Square, signifies the modern might of the People's Republic. These sites express China's long-standing fascination with enormity and grandeur — a part of the national psyche that every traveler will want to appreciate.

But just below Tiananmen lies the intimate neighborhood of Qianmen, a bustling commercial district that once crowded up to the city's southern gate. The city wall is gone now, destroyed and replaced by a six-lane highway, and the Qianmen neighborhood has spread out in all directions. On its western flank stands the Huizhong Hotel, the best bargain in Beijing at 30 yuan (about \$13) a night for a double room and communal bath.

Through Qianmen one wanders in a honeycomb of private enterprise, mostly tiny clothing shops and dumpling restaurants of dubious hygiene. Some buildings here date from the Ming dynasty, their wooden second stories carved with intricate patterns. In the old days of widespread literacy, they might be decorated with symbols of the service they offered — above an old stationery and writing shop one still sees images of calligraphic brushes, ink pots and scrolls.

Less than a mile from the Huizhong Hotel, in the workers' neighborhood of southwestern Beijing where few foreigners ever venture, runs a lane known as Cow Street. Some will say that cattle were driven up this route in the old days, but most people admit they don't know how the street got its name. Tucked down an alley off Cow Street is a tiny, charming mosque — one of only two in Beijing. On a sunny afternoon there is no better place to sit than this quiet courtyard, bedecked with flower pots and impeccably swept. The ancient caretaker smiles a lot and does not object to loiterers. But he is firm about not letting foreign intruders into the little prayer hall.



Muslim restaurants have long been a favorite of Beijing residents, and the best of them is the Turfan restaurant not far from Cow Street. The lamb shank kebabs here is exquisite and must be eaten by pulling the seasoned meat off the skewer with one's teeth. The other major delicacy is *honey onion* steamed in sugar and served piping hot. The result is either a scorched tongue or, when the dish cools, a lost filling. It's worth the risk, though.

On the north side of town, the Confucian temple has only recently been reopened. It is less crowded than many of Beijing's tourist spots and a bit spooky with its courtyard like a great stone forest, full of stales carved with the names of successful candidates for the imperial examination. It was first built in the Yuan dynasty (1280-1368), but successive emperors Ming-used the architecture. Next door is a

library on the grounds of the former imperial lecture halls. The whole place reeks of learning.

The Temple of the Five Pagodas, down a dirt track behind the zoo, is another out-of-the-way gem. Shaded by enormous trees at its entrance, the temple was designed according to plans brought from India in the 15th century. The structure itself is rather awkward, but the stone pagodas are delightfully carved and hang with sweet-sounding bells. The backyard of the temple is cluttered with stiles and other simple paraphernalia from the Beijing holy places that were ransacked during the Cultural Revolution. It makes a sad and telling sight.

The surrounding countryside offers plenty of diversion. Although Beijing itself lies on a plateau, the western mountains on the edge of the city mark the beginning of rocky peaks all the way to



Off the major avenues and beaten paths of China's capital lies a warm and vibrant city. The secret of Beijing is to find the nooks and crannies.



Montolia. Nestled among these peaks are scores of old temples, some restored, many not.

Miao Feng Shan, for example, is little known even to Beijing residents. In the 1930s it was a major Buddhist retreat from the city, and whole families would make pilgrimages there in springtime. The Japanese attacked it and the Red Guards razed it, but now it has been declared a national historic monument and the government is paying for its restoration.

One may still climb the steep paths monks once used to carry provisions up from the village. The current renovation will cover only a fraction of the area where the monastery, big as a fortress with high sheer walls, once

sprawled. The view from here, onto smaller peaks below, is barren but spectacular.

Half the fun of Miao Feng Shan is getting there, a long way up winding country roads northwest of the city. The isolated villages here grow rose bushes to sell the flower petals for tea. Most peasants, when asked the way, will say you can't get there from here. The military used to restrict access to the area, but no soldiers are readily visible now.

Tan Zhe Temple to the southwest draws a bigger crowd from Beijing — the municipal buses even come out this far. But some of the older villagers say they have only been to the big city once or twice in their whole lives. This is already deep countryside.

Behind the Tan Zhe Temple one may climb toward Dragon Wall, a long hike; or, one may quit half way, sit down, and picnic on the

mountainside. Because of the area's serious drought, cigarettes here are strictly forbidden. Peasants patrol the area with rubber mops ready to pounce on a wisp of smoke.

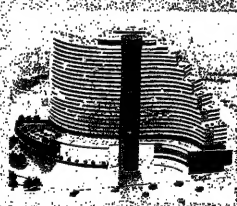
Below Tan Zhe Temple lies Marco Polo Bridge, of which the Italian traveler wrote, over 700 years ago: "There are few of them in the world so beautiful, nor its equal."

And over the bridge, one may descend further in time, to the site of the Peking Man excavation. The bones themselves were lost in the confusion of World War II, but plaster replicas are on display and one may actually climb about the caves our ancestors inhabited half a million years before Christ.

CARROLL R. BOGERT is a journalist based in Beijing.

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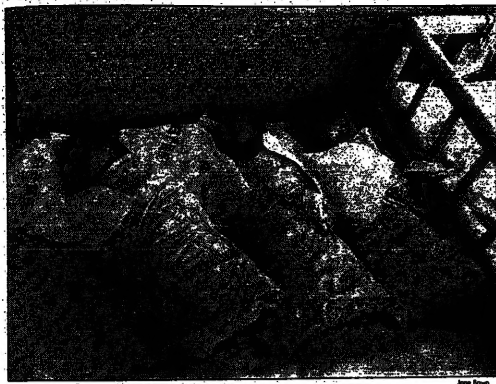


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TRAVEL/CHINA/SPECIAL REPORT

From Mountain to Sea, Shandong Spans Time



The country is full of little human surprises.

Advice to Lone Travelers:
Learn Patience, Above All

By Kate Singleton

PEOPLE who have never been to China imagine that to travel there alone you have to be exceptionally courageous and bold. Well, a certain boldness, particularly of the elbow, may come in useful when trying to clamber onto overcrowded Chinese buses and trains. But, as a whole, the enjoyment of individual travel in the People's Republic calls for patience rather than impetuosity. For China feels utterly safe. Yet the country has been a world unto itself for so long that time there has a meaning of its own, still far removed from hectic Western values.

The sort of patience you need for China really amounts to an ability to suspend habitual judgments about what things are worth. Time first and foremost. Actions and reactions there can seem infuriatingly slow or wistful, because motivations and perhaps the logic behind them are different. And no amount of thumping fists on counters or belittling impatience will improve the situation.

The classic example of foreigners' frustrations usually involves two little words which even those who are not particularly gifted linguistically soon pick up: *mei you*. You (pronounced "yo") means to have, or there is, there are; *mei you* is the negation of this, to have not, no there isn't, there aren't.

Now, after 36 hours on a bus or train, or a whole day struggling with rough and rugged roads, it's not surprising you might find a Chinese cigarette smoke, when you reach your destination and you've found an adequate hotel, your only desire is to get under a shower and then flop exhausted onto a bed. But the girl at the desk may not serve you until she's finished curling her hair with the electric "Grandin" Styling Set that she and her colleagues have just invested in. And when she does, the answer is likely to be *mei you*.

This can be upsetting, especially when the hotel looks half empty. You'd be wrong to point out such apparent inconsistencies, however, or indeed to give up. Sit down in the hall and go into space for a while, upping the ante that you've got to be doing something useful with your time. Then try again. You're happy with any. The traveling in China may be the only chance you'll ever have of living slowly. No one can afford to do this anywhere in the West, so it's really a rather recondite sort of luxury.

Fortunately, patience of this sort is not the exclusive prerogative of the young. And, in fact, there are a number of older people traveling independently in China.

One of the most enterprising I have encountered was a retired art teacher from Germany who couldn't have been less than 70. She had saved up enough money to fly to Hong Kong and found that her pension was more than sufficient to get her around China at a slow pace. She spoke no Chinese and was traveling until she felt she had seen and had enough. Like all visitors to that country, she had found that every three weeks or so she needed to stop off somewhere quiet for five or six days and do nothing more demanding than eating, sleeping and going for occasional walks.

I met her in February in Yangshu, a few hours down river from the tourist mecca of Guilin in the Guangxi province. Surrounded by strangely beautiful mountains that stuck up into the

gray sky like ghostly fingers and seemed that it still tilted with primordial simplicity, the modest village of Yangshu has become a resting spot for weary backpackers.

Much later in the year, toward mid-September, I traveled for a couple of days with two energetic

just about understood the country, something happens that upsets the whole neat intellectual edifice you've been building and takes you back to zero. And just when you're about to give up from frustration because you don't understand and you really can't cope, something so nice

The country has been a world unto itself for so long that time there has a meaning of its own.

Canadian grandmothers who had left their aging husbands back in Vancouver while they toured China for two months.

They had already discovered that they wouldn't see half what they'd planned to see in that time, and were cutting down their program accordingly. This is inevitable. If you travel in China for a whole year — and people do — you still have no hope of seeing it all.

But what I most admired about these happy wanderers was how they traveled so light. This is important in China, and they had it down to a fine art. They had minute backpacks containing the minimum amount of clothes, which included ingenious reversible skirts of their own invention. Thus equipped, they managed to change their appearance almost every day.

I shouldn't like to bore my friend, by always looking at the same, the more elegant of the two assured me, "So I made this reversible skirt and blouse — checks one side and plain blue the other. It gives me four different outfits. And the sil-blue one actually looks quite chic. I mean, you never know when you might need to look presentable. Even in China."

Most people agree that independent travel in China is an holiday in the sense that lounging on a tropical beach is a holiday. Tropical beaches relax the mind and the powers of perception; China is an experience that stretches them. And this is what makes it unforgettable.

Every time you think you've

happens that you're completely heartened.

The country is full of little human surprises. For instance, an old man in a distant rural village may stop you as you wander through his village and say something you cannot grasp. You follow him, thinking he's telling you not to go that way but it is just he's inviting you to climb up his guava tree and help yourself to the fruit. And the women from the minority nationalities who normally shy away from you will probably enjoy showing you how to knit the string bags they use for linings and out to the airport.

Last winter, after several months of exciting but exhausting travel in China, I succumbed to a local variety of influenza. A week later in Beijing I still felt feverish and weak, so I decided there and then to leave for home. I took a taxi and sped from bank to bank and out to the airport.

As we made our way out of the city the taxi-driver asked me how long I had been in China, where I'd been, when I thought of it. I answered all this and added that I was only leaving because I felt unwell. He glanced at me in the mirror, then opened the pocket in the dashboard and pulled out two oranges that he insisted in giving me. Oranges in Beijing in the winter are a luxury. He must have bought them as a treat for his children. I'm happy to say the children got them in the end.

KATE SINGLETON is a Millenium-based journalist who writes about culture and travel. Her most recent visit to China was in September.

BEIJING — Within the bounds of Shandong province lies the whole range of 2,500 years of Chinese history. From the birthplace of Confucius, to the Taoist mountain Taishan, to the sea resort of Qingdao, Shandong offers a wide slice of China through the ages. Located southeast of Beijing, Shandong is a comfortable overnight train ride from the nation's capital. It is best known for its peanuts, its beer and perhaps its native daughter, Jiang Qing, who grew up to become Madame Mao.

More famous still is its native son, K'ung Fuxu, whose teachings laid the foundation for millennia of imperial rule. Confucius was born in Qufu, 551 B.C., and died there 72 years later. Qufu is only now being discovered by foreign tourists, but the Chinese have been flocking there for years. Despite nationwide anti-fundamentalist rhetoric, most Chinese are fascinated by their imperial and Confucian past.

Confucius, however, might have been horrified to find, on the streets of his hometown, little souvenir aluminum pins bearing his smiling visage. And he would have been bewildered at the Reader's Digest version of his teachings, printed in simplified characters he could not recognize and displayed at stalls near the ancestral residence.

Confucius never lived in the ancestral residence, of course, for he was not a wealthy man. Only later generations, capitalizing on their forefather's influence, were able to build such an elaborate series of courtyards, over 400 rooms and hallways altogether.

Now, part of the residence has become a hotel. It is peaceful and full of history, but a little short on hot water and bath towels. Just across the street, China International Travel Service has completed the attractive Quji guest house. The outside looks traditionally Chinese, but the inside feels modern, with imported blond wood furniture and lush, gray-carpeted corridors.

Qufu's two major tourist attractions are the temple, of minor interest, and the forest, which is not to be missed. Here, Confucius's descendants, all named Kung, have been

buried. Ancient confines line the road to the gate. Inside, dirt paths beckon everywhere. It is best, of course, to take the ones last traveled by. They lead to desolate grave markers, to rows of stone animals lined up before tombs, to grassy meadows warmed by the sun and just right for napping. This is one of the few places in China where you can feel alone.

Locals don't bother with the main gate. They have removed a few stones from the

Confucius might have been horrified to find on the streets of Qufu, his hometown, little souvenir aluminum pins bearing his smiling visage.

high wall, and climb in and out freely to dig for mushrooms and confab with other villagers.

So, over the wall is the best way out. In the fields around Qufu, peasants are always at work, living examples of one of the world's highest people-to-land ratios. In the villages, they may be working together, breaking rocks with a Stone Age hammer and laying them flat to make a road. Or they may be sitting in the shade, contentedly stirring huge vats of sesame oil, and measuring it out to the occasional customer. The countryside is dotted with dreary temples, empty but for children playing.

The temples of Taishan, by contrast, bustle with visitors. Superstition in China is alive and well, and it lives here. At the Red Gate Temple near the foot of the mountain, the local female deity is surrounded by recent offerings of tiny unbroken shoes, such as women with bound feet once wore.

On the mountaintop, at the Temple of the Princes of the Colored Clouds, the Taoist priests solemnly strike a bronze urn for each of the faithful who kneel, knock their heads three times, and throw a grubby one-mao note into the contribution box. Peasants who want a son leave rocks in the crotch of tree branches on the mountain's peak. The trees are fairly groaning under the weight.

At 5,000 feet (about 2,435 meters), Taishan is the tallest mountain in the Shandong

sutra have been carved, each character half a meter high. Many of them have been washed away in the 1,500 years since they were heaved, but those remaining are an important standard for Chinese calligraphers, and are often reproduced in textbooks.

In Qingdao, a pair of crosses atop the Catholic Church dominates the city skyline. The church was built during Germany's colonial occupation from 1898 to 1915, along with many of the buildings along the waterfront. Now, they seem to lend the city a distinguished, slightly academic air.

After the Germans left, the Japanese gained control over the territory, and after the Japanese left, the American Navy settled in for a few years. Qingdao at that time was a veritable den of iniquity, the harbor district homecoming with bars and brothels. When the U.S. Navy recently made its first port call since 1949, sailors found the city rather lacking in entertainment.

Qingdao was a mere fishing village when the Germans came, so ancient monuments are scarce. The city has become the biggest resort town in northern China anyway. Summers are cool here, and the beach delicious. If crowded, small wonder that cadres from Harbin to Hankou are vying for August hotel reservations.

Off-season, Qingdao thins out. Shrubs on the rocky hillsides turn a deep orange, and the wind sweeps off the bay of Jiaozhou. An hour north of the city lies Laoshan, the mountain providing China with its favorite mineral water. In the Taoist temple at its base, young monks practice their calligraphy and pore over battered copies of the classics. Outside the temple gates, old women sell sea stars and shells painted with the local hero, Wusong. He is generally depicted fighting off tigers. The Qingdao brand of freshwater carries his picture on its label, too.

Wusong's might notwithstanding, Qingdao's best liquor is beer. Tours of the brewery, which the Germans founded, may be arranged.

Carroll R. Bogert

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| AT&T | 102.00 | 101.50 | 101.50 | +0.50 |
| GE | 48.00 | 47.50 | 47.50 | +0.50 |
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| Tuesday's NYSE Closing | | | | |
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| Vol. | High | Low | Last | Chg. |
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| AT&T | 102.00 | 101.50 | 101.50 | +0.50 |
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| NASDAQ Index | | | | |
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| NYSE | 154.50 | 154.00 | 154.00 | +0.50 |
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Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Dow Has 5th Consecutive Gain

NEW YORK — Prices were higher at the close of the New York Stock Exchange Tuesday in active trading as the Dow scored its fifth consecutive gain.

The Dow Jones industrial average, which rose 12.97 Monday, closed up 6.05 to 1,912.42, approaching its record closing high of 1,919.71 set Sept. 4.

Advancers led declines by an 8-7 ratio among the 3,000 issues traded.

Volume amounted to about 154.6 million shares, compared with 150.8 million on Monday.

The Dow is going to set a new high, but it doesn't matter, said Michael Metz, market strategist at Oppenheimer & Co.

Mr. Metz said a pre-holiday markup syndrome was supporting the market's "stubborn refusal" to give up ground. But he said a new high should be interpreted as a signal to sell, not buy.

Since last Tuesday, when the market plunged in an emotional sell-off of takeover stocks in reaction to the insider trading scandal involving the New York arbitrator, Ivan F. Bosnyak, the President Ronald Reagan announced that his national security adviser, John Poindexter, resigned and that Oliver North, an assistant to Mr. Poindexter, was fired over a secret administration operation involving shipment of arms to Iran. The Dow, which was down about seven points at the time, cut its losses following the announcement, traders said.

Charles Jensen of MKI Securities said the market may have been relieved that the shakeup in the administration was not as dramatic as some had anticipated. "There was speculation

that high level cabinet members, such as the secretary of state, would resign," he said.

Mr. Jensen said the market may have also gotten a boost from an announcement by IBM that it would repurchase 5 million of its shares. IBM jumped 2 1/2 to close at 127 1/2.

Dow stocks in general, analysts noted, have accounted for the market's strong gains since last Thursday. "An anxiety factor is building in the market as it approaches its highs," Peter Furness of Smith Barney said. "People are saying, 'We better get involved in this market now and we better get into the high quality stocks.'"

Duquesne Lighting was the most actively traded issue, closing at 13 1/4, unchanged on the day. Traders said the stock was a dividend play.

General Electric, which had a 30-day share repurchase plan in the past few sessions from the flight-to-quality mentality, posted a strong 3 1/2-point rise to 8 3/4. Dress Barnham Lambert Inc. reiterated a buy recommendation for GE, focusing on the company's strong earnings potential, and the help it is getting from RCA, which it acquired earlier this year.

American Brands rose 1/4 to 4 1/4. Chase-Brown Ponds said it received an unsolicited offer from American Ponds to buy a 50 percent stake in the company.

Chase-Brown jumped 4 1/2 to 49 1/2. It will review the offer and other alternatives.

Goodyear Tire & Rubber, which last week fell sharply after it announced that it would repurchase shares from the British investor, Sir James Goldsmith, ending a takeover attempt, recovered a point Tuesday to close at 24 1/2.

Minnesota Mining & Manufacturing gained 1/2 to 11 1/2 and Owens Illinois 2 1/2 to 47 1/2.

Carter Hawley Hale Stores jumped 7 1/2 to 50 1/2, another takeover situation.

(Reuters, UP)

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WEDNESDAY, NOVEMBER 26, 1986

INTERNATIONAL MANAGER

'No Smoking' Signs Come Slowly to European Firms

By SHERRY BUCHANAN

LONDON — The number of American companies restricting smoking in the office is increasing. Enlightened self-interest and the bottom line have encouraged greater corporate concern for employees' health. Not so with European companies, however. Unlike their American counterparts, European employers do not pay workers' health insurance, and there are no significant legal pressures or threats of employee lawsuits to frighten European companies into action.

But, according to anti-smoking activists in Britain, nonsmokers are becoming more vocal and are pressuring management to take the issue seriously.

"Basically we have gotten a lot more complaints from nonsmokers," said Ken Anderson, manager of employee relations at the Civil Aviation Authority in London. "They complain about their rights and about their health being affected by smokers."

According to recent studies, nonsmokers whose spouses smoke seem to suffer an increased risk of lung cancer, and the CAA is considering various restrictions. "There is so much of an anti-smoking lobby within the authority that we can't ignore the issue anymore," Mr. Anderson added.

"The unions we deal with are anxious to see some restrictions on smoking in the workplace," said P.T. Fowler, manager of health and safety at Lloyds Bank in London and a former smoker. But he said that Lloyds would be more likely to restrict than to ban smoking. "In view of what is happening in society, we have to look at nonsmokers' rights as an issue."

According to a poll published last week by Market & Opinion Research International for Action on Smoking and Health, both based in London, 64 percent of British workers favor some restrictions, including separate areas for smokers, and 17 percent favor an outright ban. Only 14 percent of British employees said smoking should be allowed at work.

Two-thirds of the smokers polled agreed that separate areas should be assigned for smoking. Only 22 percent said smoking should be permitted in all areas of the office.

THE POLL has shown a huge gap between what employees are saying they want and what employers have gotten around to doing," said Margaret Gooding of ASH, a majority of British employees don't want to work in smoky environments and they want their employers to do something about it.

The Tobacco Advisory Council, which represents British tobacco manufacturers, disagrees that top management should get involved in establishing anti-smoking policies in the office. According to an unpublished Tobacco Council survey, the majority of companies that have received complaints from nonsmokers said the best policy was "fix-it-once-and-for-all."

"There is no reason people should live in fog holes," said Tony St. Aubyn of the council. "But, if for some reason the company can't ventilate the place properly, then a compromise has to be reached among nonsmokers and smokers who work in a confined area. But there is no need for the heavy hand of management."

The council said there is no conclusive medical evidence showing that so-called "passive" smoking poses increased medical risks for nonsmokers.

British companies have few cost incentives to adopt anti-smoking policies. Most employees' health costs are paid for by the government's National Health Service. And where companies do offer private insurance, no major British health insurer offers discounts for nonsmokers, as is the case in the United States.

According to the Smoking Policy Institute of the Albers School of Business at Seattle University, an American smoker costs his employer as much as \$4,000 more each year than a nonsmoker. Pacific Northwest Bell, a Seattle-based telephone company

Currency Rates

| Cross Rates | Nov. 25 |
|---------------------|----------|
| Australian \$ | 1.5400 |
| Belgian franc | 36.3600 |
| British pound | 1.6400 |
| Canadian dollar | 0.7500 |
| Deutsche mark | 1.7500 |
| French franc | 6.5500 |
| Italian lira | 1,360.00 |
| Japanese yen | 163.00 |
| Netherlands guilder | 2.2000 |
| New Zealand dollar | 0.4500 |
| Portuguese escudo | 200.4800 |
| Spanish peseta | 166.6400 |
| Swedish krona | 4.6600 |
| Swiss franc | 1.4500 |
| Thai baht | 50.0000 |
| West German mark | 1.7500 |
| Yen | 163.00 |

| Other Dollar Values | Nov. 25 |
|---------------------|----------|
| Argentine peso | 1.0000 |
| Australian dollar | 1.5400 |
| Belgian franc | 36.3600 |
| British pound | 1.6400 |
| Canadian dollar | 0.7500 |
| Deutsche mark | 1.7500 |
| French franc | 6.5500 |
| Italian lira | 1,360.00 |
| Japanese yen | 163.00 |
| Netherlands guilder | 2.2000 |
| New Zealand dollar | 0.4500 |
| Portuguese escudo | 200.4800 |
| Spanish peseta | 166.6400 |
| Swedish krona | 4.6600 |
| Swiss franc | 1.4500 |
| Thai baht | 50.0000 |
| West German mark | 1.7500 |
| Yen | 163.00 |

Interest Rates

| Discount Rates | Nov. 25 |
|----------------|---------|
| 1 month | 5.00% |
| 3 month | 5.00% |
| 6 month | 5.00% |
| 1 year | 5.00% |
| 2 year | 5.00% |
| 3 year | 5.00% |
| 4 year | 5.00% |
| 5 year | 5.00% |
| 10 year | 5.00% |
| 15 year | 5.00% |
| 20 year | 5.00% |
| 25 year | 5.00% |
| 30 year | 5.00% |
| 35 year | 5.00% |
| 40 year | 5.00% |
| 45 year | 5.00% |
| 50 year | 5.00% |
| 55 year | 5.00% |
| 60 year | 5.00% |
| 65 year | 5.00% |
| 70 year | 5.00% |
| 75 year | 5.00% |
| 80 year | 5.00% |
| 85 year | 5.00% |
| 90 year | 5.00% |
| 95 year | 5.00% |
| 100 year | 5.00% |

Gold

| Gold | Nov. 25 |
|----------|---------|
| Spot | 375.00 |
| 1 month | 375.00 |
| 3 month | 375.00 |
| 6 month | 375.00 |
| 1 year | 375.00 |
| 2 year | 375.00 |
| 3 year | 375.00 |
| 4 year | 375.00 |
| 5 year | 375.00 |
| 10 year | 375.00 |
| 15 year | 375.00 |
| 20 year | 375.00 |
| 25 year | 375.00 |
| 30 year | 375.00 |
| 35 year | 375.00 |
| 40 year | 375.00 |
| 45 year | 375.00 |
| 50 year | 375.00 |
| 55 year | 375.00 |
| 60 year | 375.00 |
| 65 year | 375.00 |
| 70 year | 375.00 |
| 75 year | 375.00 |
| 80 year | 375.00 |
| 85 year | 375.00 |
| 90 year | 375.00 |
| 95 year | 375.00 |
| 100 year | 375.00 |

Limited, DeBartolo In Offer

\$1.8-Billion Bid To Carter Hawley

The Associated Press

COLUMBUS, Ohio — Limited and an Ohio-based developer offered Tuesday to jointly buy Carter Hawley Hale Stores Inc., a U.S. retailer, for \$1.8 billion in cash.

Limited, a retailing concern based in Columbus, tried once before to acquire Carter Hawley in 1984, but failed.

This time, it teamed up with Youngstown, Ohio-based Edward J. DeBartolo Corp., a major shopping center developer, in making a joint bid for Los Angeles-based Carter Hawley, the 120-year-old general merchandise retailer in the United States.

The partners said they offered \$250 million each for Carter Hawley's 37.8 million common shares and equivalents outstanding. The offer is subject to the partners acquiring a minimum of two-thirds of the voting power of all classes of Carter Hawley's stock by Dec. 31.

"We are prepared to proceed by tender offer commencing on Monday," Limited said. DeBartolo said Carter Hawley, "to that your shareholders may receive payment for their shares by Dec. 31, 1986, before the new tax code eliminating capital gains treatment goes into effect."

Carter Hawley ended up \$7.375 a share, at \$50.025, in trading on the New York Stock Exchange on Tuesday.

A Carter Hawley spokesman said his company had no immediate comment on the offer.

Carter Hawley's units include Broadway department stores and such specialty retailers as Neiman Marcus, Bergdorf Goodman and Campari Casuals.

Limited's shareholders include Limited: Lyle Bryant and Henri Benda, made a tender offer to gain control of Carter Hawley in April 1984.

But Carter Hawley thwarted the bid when it sold 22 percent of its voting stock to General Cinema Corp.

Michael Milken's Corporate Galaxy



His Majesty, King of 'Junk Bonds'

Enthroned at Drexel West, Milken Rules a Big Market

By John Cudele New York Times Service

NEW YORK — When a relatively unknown corporate financial officer recently to acquire a company, he did what many others have done before him: He traveled to the mecca of "junk bonds," the office of Drexel Burnham Lambert Inc. in Beverly Hills, California.

There, after a half-hour screening process performed by several Drexel financials, he was granted an "audience," in his words, with Michael Milken, the 40-year-old Drexel senior vice president and wizard of the junk-bond market.

It was Mr. Milken who, a decade ago, helped pioneer the market for junk bonds, the below-investment-grade securities that corporate raiders find essential in cornering their prey. Junk bonds are high-risk but high-yield debt issues sold by a group to raise funds to acquire another, investment-grade company.

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There, after a half-hour screening process performed by several Drexel financials, he was granted an "audience," in his words, with Michael Milken, the 40-year-old Drexel senior vice president and wizard of the junk-bond market.

GM Problems With EDS Underlined by Report

By John Holahan New York Times Service

DETROIT — A report that General Motors Corp. was considering a \$1.8-billion takeover of Electronic Data Systems Inc. (EDS) appears to indicate how difficult the process of combining EDS and GM has been.

The report, in Monday's issue of The Wall Street Journal, also shows how serious the strains between Roger B. Smith, the GM chairman, and H. Ross Perot, the EDS chairman, have become, analysts say.

When GM announced that it was buying EDS two and half years ago, it said the intention was "to combine the two companies into the largest and most technologically advanced computer services company in the world."

However, AT&T executives confirmed Monday that they had conducted talks including "a wide range of options" with EDS "that did not preclude investment."

Some analysts said it appeared that GM was more eager to sell than AT&T was to buy, and they suggested that an agreement was never really close.

"I'm sure they discussed a lot of things, but the odds of something actually happening were pretty remote," said Jack B. Grubman, a telecommunications specialist with PaineWebber Inc. "If Ross Perot is frustrated dealing with the bureaucracy at GM, he'll be twice as frustrated with AT&T."

Mr. Perot, who is the largest stockholder in GM as a result of his company's takeover of the automotive giant, has become increasingly critical of GM management, particularly as he looks out and credit incentives have not sharply into earnings.

For the third quarter, GM reported an operating loss of \$338.5 million.

Mr. Perot has said that he does not want to be chief executive of GM and that he supports Mr. Smith, but he has charged that GM's top management has grown out of touch with the company's problems.

Mr. Perot has also questioned the deal of business between GM executives and he was the only member of the GM board to vote against the acquisition of Hughes Aircraft Co. in 1985.

In return, some GM executives have said that Mr. Perot appears to have his hands full managing EDS, which has grown from about \$700 million a year in revenue to a projected \$3.5 billion this year, three-quarters of it from GM units.

So far, GM appears to have realized few financial benefits from its \$2.5-billion acquisition of EDS, which has been trying to unify the mass of incompatible computer systems it found at the automaker.

The tensions between the two companies also have been apparent at the operating level. GM's class E stock, which is backed by the earnings of EDS, has lost some of its early appeal to investors, dropping to a price-earnings ratio of 16, from about 26 last year.

However, some analysts have said that EDS will be one of the last GM operations to leave its budget shielded.



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Durables Orders In U.S. Plunged 6% in October

Compiled by Our Staff From Dispatches

WASHINGTON — Factory orders for heavy manufacturing, or durable goods, plunged 6 percent in October from September, the biggest decline in more than two years, the U.S. government reported Tuesday.

The Commerce Department attributed half of the drop to a steep 43.1-percent slump in orders for military equipment, but analysts said the weakness was spread across several industry segments.

In a separate report, the Labor Department said consumer prices rose 0.2 percent last month as higher new-car prices offset a dip in gasoline prices.

Excluding the volatile defense

The dollar fell sharply, closing below 2 DM for the first time in a month. Page 17.

sector, durable-goods orders declined 2.7 percent in September. Durable goods are items expected to last three or more years.

The 6-percent decline followed a 4.7-percent rise in September and left total orders at \$10.2 billion in October, down from \$10.87 billion in September.

While most analysts had been expecting a decline in durable orders, none had forecast such a big drop. It was the steepest fall in that category of goods since a 6.8-percent decline in April 1984.

The weakness was sure to provide more fuel for those who contend that overall economic growth will weaken in coming months under such adverse factors as changes in the new tax law affecting business investment spending.

"Non-defense orders are about the same as their third-quarter average and I expect moderate growth in the coming months," Commerce Secretary Malcolm Baldrige said.

The 43.1-percent plunge in military orders left them at \$3.03 billion last month and followed a 6.1-percent increase the month before. The October drop was attributed to declines in the transportation categories of ships, aircraft and tanks.

Trade Deficit Narrowed in U.K. Last Month

Reuters

LONDON — Britain had a seasonally adjusted merchandise trade deficit of \$335 million (\$1.17 billion) in October following a revised shortfall of \$285 million in September, the government reported Tuesday.

The current account was estimated in surplus at £277 million, after a revised £85-million deficit in September. The government originally had estimated the September trade deficit at £877 million and the current-account deficit at £277 million.

The current account measures a country's trade in goods and services as well as interest, dividends and certain transfers. Imports rose 1 percent, to £7.04 billion in October from £6.96 billion in September, while exports rose 1 percent, to £6.21 billion from £6.07 billion.

Tuesday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect intra-trading elsewhere.

| 12 Month High/Low | Stock | Div. Yld. % | 100s Price | Chg. |
|-------------------|-------|-------------|------------|-------|
| 12/1/85-11/25/86 | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |

| 12 Month High/Low | Stock | Div. Yld. % | 100s Price | Chg. |
|-------------------|-------|-------------|------------|-------|
| 12/1/85-11/25/86 | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |

| 12 Month High/Low | Stock | Div. Yld. % | 100s Price | Chg. |
|-------------------|-------|-------------|------------|-------|
| 12/1/85-11/25/86 | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |
| | ADP | 1.2 | 125.00 | +1.00 |

Floating-Rate Notes

| Notes | Yield | Price | Chg. |
|------------------|-------|--------|-------|
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |

| Notes | Yield | Price | Chg. |
|------------------|-------|--------|-------|
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | 125.00 | +1.00 |

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 25 Nov. 1986

| Fund | Price | Chg. |
|------------------|-------|-------|
| 12/1/86-11/25/86 | 1.2 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | +1.00 |
| 12/1/86-11/25/86 | 1.2 | +1.00 |

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Listed on the Amsterdam Stock Exchange

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**Tuesday's
AMEX
Closing**

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere

[illegible]

| Month | Stock | Div. | Yld. | P/E | Div. Yield | High | Low | Open | Close | Change |
|-------|-------|------|------|------|------------|------|------|------|-------|--------|
| 1/1 | 1/1 | 1/1 | 1/1 | 1/1 | 1/1 | 1/1 | 1/1 | 1/1 | 1/1 | 1/1 |
| 1/2 | 1/2 | 1/2 | 1/2 | 1/2 | 1/2 | 1/2 | 1/2 | 1/2 | 1/2 | 1/2 |
| 1/3 | 1/3 | 1/3 | 1/3 | 1/3 | 1/3 | 1/3 | 1/3 | 1/3 | 1/3 | 1/3 |
| 1/4 | 1/4 | 1/4 | 1/4 | 1/4 | 1/4 | 1/4 | 1/4 | 1/4 | 1/4 | 1/4 |
| 1/5 | 1/5 | 1/5 | 1/5 | 1/5 | 1/5 | 1/5 | 1/5 | 1/5 | 1/5 | 1/5 |
| 1/6 | 1/6 | 1/6 | 1/6 | 1/6 | 1/6 | 1/6 | 1/6 | 1/6 | 1/6 | 1/6 |
| 1/7 | 1/7 | 1/7 | 1/7 | 1/7 | 1/7 | 1/7 | 1/7 | 1/7 | 1/7 | 1/7 |
| 1/8 | 1/8 | 1/8 | 1/8 | 1/8 | 1/8 | 1/8 | 1/8 | 1/8 | 1/8 | 1/8 |
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| 1/29 | 1/29 | 1/29 | 1/29 | 1/29 | 1/29 | 1/29 | 1/29 | 1/29 | 1/29 | 1/29 |
| 1/30 | 1/30 | 1/30 | 1/30 | 1/30 | 1/30 | 1/30 | 1/30 | 1/30 | 1/30 | 1/30 |
| 1/31 | 1/31 | 1/31 | 1/31 | 1/31 | 1/31 | 1/31 | 1/31 | 1/31 | 1/31 | 1/31 |
| 2/1 | 2/1 | 2/1 | 2/1 | 2/1 | 2/1 | 2/1 | 2/1 | 2/1 | 2/1 | 2/1 |
| 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 |
| 2/3 | 2/3 | 2/3 | 2/3 | 2/3 | 2/3 | 2/3 | 2/3 | 2/3 | 2/3 | 2/3 |
| 2/4 | 2/4 | 2/4 | 2/4 | 2/4 | 2/4 | 2/4 | 2/4 | 2/4 | 2/4 | 2/4 |
| 2/5 | 2/5 | 2/5 | 2/5 | 2/5 | 2/5 | 2/5 | 2/5 | 2/5 | 2/5 | 2/5 |
| 2/6 | 2/6 | 2/6 | 2/6 | 2/6 | 2/6 | 2/6 | 2/6 | 2/6 | 2/6 | 2/6 |
| 2/7 | 2/7 | 2/7 | 2/7 | 2/7 | 2/7 | 2/7 | 2/7 | 2/7 | 2/7 | 2/7 |
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| 2/9 | 2/9 | 2/9 | 2/9 | 2/9 | 2/9 | 2/9 | 2/9 | 2/9 | 2/9 | 2/9 |
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| 2/14 | 2/14 | 2/14 | 2/14 | 2/14 | 2/14 | 2/14 | 2/14 | 2/14 | 2/14 | 2/14 |
| 2/15 | 2/15 | 2/15 | 2/15 | 2/15 | 2/15 | 2/15 | 2/15 | 2/15 | 2/15 | 2/15 |
| 2/16 | 2/16 | 2/16 | 2/16 | 2/16 | 2/16 | 2/16 | 2/16 | 2/16 | 2/16 | 2/16 |
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| 2/26 | 2/26 | 2/26 | 2/26 | 2/26 | 2/26 | 2/26 | 2/26 | 2/26 | 2/26 | 2/26 |
| 2/27 | 2/27 | 2/27 | 2/27 | 2/27 | 2/27 | 2/27 | 2/27 | 2/27 | 2/27 | 2/27 |
| 2/28 | 2/28 | 2/28 | 2/28 | 2/28 | 2/28 | 2/28 | 2/28 | 2/28 | 2/28 | 2/28 |
| 2/29 | 2/29 | 2/29 | 2/29 | 2/29 | 2/29 | 2/29 | 2/29 | 2/29 | 2/29 | 2/29 |
| 2/30 | 2/30 | 2/30 | 2/30 | 2/30 | 2/30 | 2/30 | 2/30 | 2/30 | 2/30 | 2/30 |
| 2/31 | 2/31 | 2/31 | 2/31 | 2/31 | 2/31 | 2/31 | 2/31 | 2/31 | 2/31 | 2/31 |

| 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|
| 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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Tin Producers Agree To Reduce Production

KUALA LUMPUR, Malaysia — Members of the Association of Tin Producing Countries have agreed to cut output beginning early next year to reduce a world surplus, AIPC sources said Tuesday.

The group's executive committee reached agreement at a two-day meeting, which ended Tuesday. The sources also agreed on new production levels, but did not disclose those numbers.

AIPC's members — Malaysia, Indonesia, Thailand, Bolivia, Zaire, Nigeria and Australia — produce about 65 percent of the world's tin. Tin surplus is estimated at about 80,000 metric tons, AIPC sources said.

AMEX Highs-Lows

[illegible]

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The best drag coefficient ($c_w = 0.29$) in its class. The result of its aerodynamic qualities, the new one is quieter and even more economical.

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The longest interior in its class. Despite its compact shape the new one has something that many others haven't: real comfort, front and rear.

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